Calendar No. 298

100TH CONGRESS *1st Session*	SENATE	REPORT 100-147

AVIATION INSURANCE EXTENSION ACT OF 1987

Mr. HOLLINGS, from the Committee on Commerce, Science, and Transportation, submitted the following

REPORT

OF THE

SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ON

S. 1628

AUGUST 7 (legislative day, AUGUST 5), 1987.—Ordered to be printed

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AUGUST 7 (legislative day, AUGUST 5), 1987.—Ordered to be printed

Mr. HOLLINGS, from the Committee on Commerce, Science, and Transportation, submitted the following

REPORT

[To accompany S. 1628]

The Committee on Commerce, Science, and Transportation, having considered an original bill (S. 1628) to provide for the extention of the Aviation Insurance Program, and for other purposes, reports favorably thereon and recommends that the bill do pass.

PURPOSE OF THE BILL

The bill, S. 1628, extends for five years, through September 30, 1992, the Aviation Insurance Program, designed to provide for government-sponsored insurance to commercial air carriers operating in a limited number of extraordinarily high risk foreign environments.

BACKGROUND AND NEEDS

Commercial aviation insurance is often unavailable in high risk situations, such as flights to countries at war. In addition, aircraft operations performed pursuant to activation of the Civil Reserve Air Fleet, which are military in nature, are seldom afforded commercial insurance coverage. Since airlines often cannot or will not operate without insurance coverage, these gaps in commercial insurance could preclude airline services required to further various foreign or national-security policies of the United States.

Under the Aviation Insurance Program, the Secretary of Transportation is authorized to provide insurance and reinsurance to commercial airlines which provide service between the United States and a foreign country where there are security problems and when commercial insurance cannot be obtained on reasonable

terms. Before such insurance can be issued, two tests must be satisfied. First, the Secretary must make a finding that insurance cannot be acquired from a domestic commercial insurance company on reasonable terms and conditions. Secondly, the President must determine that the Nation's foreign policy or national security objectives would be threatened if air service to certain foreign destinations could not be continued due to the unavailability of commercially reasonable insurance. Such insurance may be provided for a period not to exceed 60 days, unless the President determines an extension is necessary.

The Aviation Insurance Program offers two types of policies, premium and nonpremium. With respect to the premium policy, insurance is issued by the Federal Aviation Administration and a premium is paid by the airline for the coverage. The nonpremium policy is issued to airlines operating under contract to a government agency, and although no premium is required to be paid by the airline, the contracting government agency is bound to indemnify the Department of Transportation for any claims which are paid.

Premiums paid for coverage and any sums appropriated by Congress support a revolving fund, which is used to defray the cost of operating the Insurance Program. As of June 1, 1987, the revolving fund had a balance of $37.7 million.

The Aviation Insurance Program, established under Title XIII of the Federal Aviation Act of 1958, expires on September 30, 1987. It has been reauthorized eight times since its original authorization in 1951.

Legislative History

On July 28, 1987, the Commerce Committee, in open executive session, approved without objection an original bill to extend the Aviation Insurance Program for five years. There have been no hearings held on this legislation during the 100th Congress.

Estimated Costs

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office.

U.S. Congress,
Congressional Budget Office,
Washington, DC, July 30, 1987.

Hon. Ernest F. Hollings,
Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate for a bill to extend the Aviation Insurance Program for five years.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Not yet assigned.

2. Bill title: A bill to extend the Aviation Insurance Program for five years.

3. Bill status: As ordered reported by the Senate Committee on Commerce, Science, and Transportation, July 28, 1987.

4. Bill purpose: This bill would extend the Aviation Insurance Program for five years. The program provides insurance and reinsurance for the operation of aircraft where commercial insurance policies are unavailable or cannot be obtained on reasonable terms and conditions, and where continued operations are necessary to carry out the foreign policy of the United States.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Estimated authorization level					
Estimated outlays	−3	−2	−2	−2	−2

The budget impact of this bill falls within function 400.

Basis of estimate

Income to the fund is derived from premiums issued and interest on investments. The above estimate assumes that there will be no covered air carrier losses in fiscal years 1988 to 1992. Currently there are no claims pending, and there has not been a claim filed since 1975. In the event of a covered loss, outlays would be greater.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Mitchell Rosenfeld.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

REGULATORY IMPACT STATEMENT

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of the legislation, as reported.

The bill, as reported, will extend the Aviation Insurance Program for an additional five years. It will have no effect on the number of individuals regulated or on the privacy of such persons. There will be no significant effect on the economy, unless an insurance policy is issued under this program and a claim filed. No additional paperwork will be required to operate the program.

SECTION-BY-SECTION ANALYSIS

SECTION 1

The one section of the bill extends, through September 30, 1992, the Aviation Insurance Program, established under Title XIII of the Federal Aviation Act of 1958. Although the last use of this program was to issue insurance to Pan Am Airlines during the Vietnam war, the Committee believes that a state of readiness must be maintained in the event that occasions become imminent in which private insurance cannot be acquired at commercially-reasonable terms. By extending the Aviation Insurance Program for an additional five years, the Committee believes that the Nation's foreign policy objectives will be advanced by ensuring the continued availability of air service.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italic, existing law in which no change is proposed is shown in roman).

FEDERAL AVIATION ACT OF 1958

TERMINATION OF TITLE

SEC. 1312. The authority of the Secretary to provide insurance and reinsurance under this title shall expire at the termination of September 30, [1987] *1992*.

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